

105TH CONGRESS  
2D SESSION

# H. R. 4637

To amend the Internal Revenue Code of 1986 to allow an interest deduction for contingent interest on a shared appreciation mortgage.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 1998

Mr. SMITH of Michigan introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow an interest deduction for contingent interest on a shared appreciation mortgage.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHARED APPRECIATION MORTGAGES.**

4       (a) IN GENERAL.—Section 163 of the Internal Reve-  
5       nue Code of 1986 (relating to interest) is amended by re-  
6       designating subsection (m) as subsection (n) and by in-  
7       serting after subsection (l) the following new subsection:

8       “(m) SHARED APPRECIATION MORTGAGES.—

1           “(1) IN GENERAL.—For purposes of subsection  
2           (a), the term ‘interest’ shall include contingent inter-  
3           est on a shared appreciation mortgage.

4           “(2) CONTINGENT INTEREST.—For purposes of  
5           paragraph (1), the term ‘contingent interest’ means,  
6           in connection with a shared appreciation mortgage,  
7           the amount the mortgagor is required to pay to the  
8           mortgagee from—

9                   “(A) any gain realized on the sale or ex-  
10                  change of the real property which is the only se-  
11                  curity for such mortgage,

12                  “(B) any gain which would be realized if  
13                  such property were sold on a specified date, or

14                  “(C) appreciation in value as of any speci-  
15                  fied date.”.

16           (b) EFFECTIVE DATE.—The amendment made by  
17           subsection (a) shall apply to payments made during tax-  
18           able years beginning after the date of the enactment of  
19           this Act.

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